

Message Text

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ACTION OPIC-06

INFO OCT-01 AF-04 ISO-00 AGR-05 AID-05 CIAE-00 EB-07

FRB-01 INR-05 NSAE-00 TRSE-00 XMB-02 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01 CEA-01 L-02

H-01 PA-01 PRS-01 USIA-06 SWF-01 IO-10 /089 W

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P 090755Z DEC 74

FM AMEMBASSY DAR ES SALAAM

TO SECSTATE WASHDC PRIORITY 998

USDOC WASHDC PRIORITY

AMEMBASSY NAIROBI PRIORITY

AMEMBASSY ADDIS ABABA BY POUCH

AMEMBASSY KHARTOUM BY POUCH

AMCONSUL ZANZIBAR BY POUCH

C O N F I D E N T I A L SECTION 1 OF 2 DAR ES SALAAM 4015

DEPT PASS ACTION TO OPIC AND INFO USDA/FAS

USDOC PASS ACTION TO DAVID HORNER, DIRECTOR, FOREIGN

INVESTORS SERVICES STAFF

E.O.11652: GDS

TAGS : BTIO, EAID, EAGR, ECON, TZ

SUBJECT : INVESTMENT OPPORTUNITY: TANGOV URGENTLY SEEKS JOINT

VENTURE WITH U.S. COMPANY IN RICE OR CORN PROJECTS

REF: A) DAR ES SALAAM A-200

B) DAR ES SALAAM A-211

C) DAR ES SALAAM 1323

D) DAR ES SALAAM A-150

1. (BEGIN UNCLASSIFIED) SUMMARY: MINISTRY OF AGRICULTURE,
AT BEHEST OF PRESIDENT NYERERE, HAS ASKED EMBASSY TO INFORM
U.S. INVESTORS OF COMMERCIAL RICE AND CORN PRODUCTION PROJECTS
IT OFFERS FOR THEIR CONSIDERATION. PROJECTS BASED ON 1966
AID-SPONSORED STUDY BY STANFORD RESEARCH INSTITUTE WHICH
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SINGLED OUT SPECIFIC AGRICULTURAL PROJECTS ALONG AND SOUTH OF

RECENTLY COMPLETED TANZAM HIGHWAY. TANGOV APPARENTLY FLEXIBLE TO FORMULATE INVESTMENT OPPORTUNITIES (AND WILLING TO CONSIDER MANAGEMENT PROPOSALS) TO MAKE THEM ATTRACTIVE. SUSTANIND KEEN INTEREST AT SENIOR-MOST LEVEL OF GOVERNMENT SHOULD SPEED UP PROCESSING TIME AND OPEN ALL DOORS FOR INTERESTED U.S. COMPANIES. ONE NON-NEGOTIABLE REQUIREMENT -- INTERESTED COMPANIES MUST MOVE QUICKLY AS TANGOV WANTS EARLY PROJECT STARTUP.

ACTION REQUESTED: 1) INFORM APPROPRIATE U.S. COMPANIES; 2) ARRANGE USDOC AND OPIC APPOINTMENTS FOR SENIOR TANGOV OFFICIAL WHO WILL BE IN WASHINGTON DECEMBER 11-14 AND WISHES TO DISCUSS PROPOSAL; 3) SPECIAL ACTION REQUEST FOR AF/E. (END SUMMARY)

2. DURING RECENT VISIT OF ASSISTNAT SECRETARY EASUM, FINANCE MINISTER MSUYA SUGGESTED THAT TANGOV COULD WELL BE INTERESTED IN GOING INTO JOINT VERTURES IN AGRICULTURAL SECTOR WITH PRIVATE U.S. COMPANIES (SEE CONCLUDING PARA OF ENCLOSURE 1, DAR ES SALAAM A-193). EMBOFF, FOLLOWING UP ON MSUYA SUGGESTION, WAS COMMENDED TO CONSULT WITH SENIOR-MOST CIVIL SERVANT IN AGRICULTURE MINISTRY, PRINCIPAL SECRETARY MUSHI. WHEN MATTER DISCUSSED WITH MUSHI HE EXPLAINED THAT HE HAD IN FACT JUST RECEIVED MANDATE FROM PRESIDENT NYERERE TO SEEK BILATERAL OF PRIVATE-SECTOR ASSISTANCE TO ESTABLISH JOINT-VENTURE FOR PRODUCTION OF CORN AND RICE IN FARMLAND IN SOUTHWESTERN TANZANIA NEAR OR TO SOUTH OF RECENTLY COMPLETED TANZAM HIGHWAY.

3. MUSHI SUBSEQUENTLY EXPLAINED THAT, IN OUTLINING REQUEST, PRESIDENT NYERERE DREW HEAVILY ON VOLUME II OF SEPTEMBER 1966 STUDY PREPARED BY STANFORD RESEARCH INSTITURE (UNDER CONTRACT AID/AFR-364 SRI PROJECT 5790) TITLED "TANZAM HIGHWAY STUDY" AND SUB-TITLED "AGRICULTURE: DEVELOPMENT POTENTIAL CROP MODELS". PRESIDENT HAS RECENTLY BECOME EXTREMELY EXERCISED AND VEXED WITH PRODUCTION DECLINES RECORDED IN TANZANIA AGRI-CULTURAL SECTOR IN RECENT YEARS AND, CONSEQUENTLY, IS REVIEWING ANY AND ALL PROPOSALS WHICH COULD LEAD TO INCREASE IN AGRI-CULTURAL PRODUCTION. RECENT DECISION TO DOUBLE PRODUCER PRICE OF CORN (SEE REF A) TO \$105/METRIC TON IS BEST AND MOST RECENT ILLUSTRATION THAT TANGOV HAS TAKEN DRAMATIC TURN TOWARD MONETARY INCENTIVES TO STIMULATE PRODUCTION -- A FEATURE OF ECONOMIC POLICY WHICH SHOULD INTEREST POTENTIAL U.S. INVESTORS.

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4. AT MUSHI'S DIRECTION, AGRMIN HAS PREPARED "PROJECT SHEETS" GIVING POSSIBLE SITES AND SUPPORTING COST FIGURES FOR SEVERAL DIFFERENT PROJECTS WHICH ARE OFFERED FOR CONSIDERATION. COPIES WILL BE TRANSMITTED TO USDOC UNDER COVER REF B. WHILE PROPOSED RICE PROJECT COULD ENCOMPASS AS MANY AS 30,000 ACRES, IT WAS SUGGESTED TO MUSHI THAT CORN PROJECTS CULTIVATING 11,000 AND 5,500 ACRES MIGHT BE TOO SMALL TO INTEREST U.S. COMMERCIAL FARMING COMPANY. MUSHI, IN REPLY, EXPLAINED BLOCK OF LAND UP

TO 50,000 ACRES IN SONGEA DISTRICT (AT ELEVATIONS AROUND 4,000 FEET IN AREA DUE SOUTH OF NJOMBE) IS OPEN FOR CONSIDERATION. (THIS APPARENTLY NOT "SPUR-OF-MOMENT" PROPOSAL AS MINFIN PRINCIPAL SECRETARY SPOKE OF THIS POSSIBILITY WHEN HE DISCUSSED IT WITH EMBOFF EARLIER IN WEEK.)

5. IN GENERAL, U.S. INVESTORS SHOULD REVIEW PAGES 131-177 OF STANFORD RESEARCH INSTITUTE STUDY TO GAIN FULL PICTURE OF POSSIBLE AREAS FOR COMMERCIAL FARMING INVESTMENT OPEN FOR CONSIDERATION. GOVERNMENT WILL ACCEPT MINORITY EQUITY POSITION (UP TO 50 PERCENT) AND MANAGEMENT CONTRACT OR ONLY MANAGEMENT CONTRACT (IN THIS REGARD MUSHI SAID TANGOV PLANS TO PROPOSE IBRD FINANCE AT LEAST ONE PROJECT). MOSHI ALSO STATED TANGOV WOULD LIKE PROPOSED COMMERCIAL FARMING PROJECTS TO START UP NOVEMBER 1975. ACTUAL IMPLEMENTING AGENCY FOR PROJECTS WILL BE STATE-OWNED NATIONAL AGRICULTURAL AND FOOD CORPORATION (NAFCO), BOX 903, DAR ES SALAAM. NAFCO GENERAL MANAGER IS MR.R. NABURI. INTERESTED INVESTORS SHOULD WRITE DIRECTLY TO NABURI WITH INFO COPIES TO VINCENT MRISHO, PLANNING DIVISION, MINISTRY OF AGRICULTURE, BOX 9192, DAR ES SALAAM AND ECONOMIC/COMMERCIAL SECTION, AMERICAN EMBASSY, BOX 9123, DAR ES SALAAM.

6. COMMENT: IN REF C. WE SUGGESTED FOREIGN INVESTMENT IN AGRICULTURAL SECTOR "BY AND LARGE, DISCOURAGED" AT THIS TIME. FOREGOING, WE BELIEVE, IS OBVIOUS EXCEPTION TO THIS GENERAL RULE. AS PRESIDENT IS IN IMMEDIATE SHADOW OF THESE PROJECTS (AND IS APPARENTLY SECONDED BY MINISTER OF FINANCE) IT MEANS THAT PROSPECTIVE INVESTOR MAY EXPECT TO FIND UNUSUALLY FAVORABLE CLIMATE IN WHICH TO PRESENT HIS PROPOSALS AND SHOULD RECEIVE SWIFT RESPONSE AS TANGOV KNOWS HOW TO PROVIDE. U.S. FIRMS INTERESTED IN PROPOSAL SHOULD ALSO KNOW THAT THERE ARE SEVERAL JOINT AND WHOLLY-OWNED SISAL AND SUGAR PLANTATIONS THAT ARE PROSPERING IN TANZANIA. WE KNOW OF ONE VERY SUCCESSFUL
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TANZANIAN (OF ASIAN ORIGIN) WHO HAS JUST HEAVILY UPGRADED AND INCREASED HIS FARM MACHINERY INVENTORY TO FARM 10-12,000 ACRES OF CASH CROPS THIS COMING CROP SEASON. FURTHERMORE, U.S. FIRMS CAN DRAW ON, IN CASE OF CORN, THE EXPERTISE GAINED ON TWO USAID SEED MULTIPLICATION FARMS NOW COMING INTO BEING AND INTERNATIONALLY RECOGNIZED CORN BREEDER ERNEST SPRAGUE OF CIMMYT, MEXICO CITY WHO PAYS REGULAR VISITS TO TANZANIAN AND KNOWS WELL AGRICULTURAL CONDITIONS HERE.

7. THIS INVESTMENT OPPORTUNITY (IO) REPORTED TELEGRAPHICALLY BECAUSE MUSHI PLANS TO BE IN WASHINGTON DECEMBER 11-14 AND CAN BE REACHED AT HOTEL PRESIDENTIAL OR THROUGH PING LOH, IBRD DESK OFFICER FOR TANZANIA OR THROUGH TANZANIAN EMBASSY. MUSHI HAS TOLD EMBASSY HE IS AVAILABLE FOR APPOINTMENTS WITH U.S. OFFICIALS OR COMPANIES INTERESTED KNOWING MORE ABOUT PROJECT.

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INFO OCT-01 AF-04 ISO-00 AGR-05 AID-05 CIAE-00 EB-07

FRB-01 INR-05 NSAE-00 TRSE-00 XMB-02 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01 CEA-01 L-02

H-01 PA-01 PRS-01 USIA-06 SWF-01 IO-10 /089 W

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P 090755Z DEC 74

FM AMEMBASSY DAR ES SALAAM

TO SECSTATE WASHDC PRIORITY 6999

USDOC WASHDC PRIORITY

AMEMBASSY NAIROBI PRIORITY

AMEMBASSY ADDIS ABABA BY POUCH

AMEMBASSY KHARTOUM BY POUCH

AMCONSUL ZANZIBAR BY POUCH

C O N F I D E N T I A L SECTION 2 OF 2 DAR ES SALAAM 4015

8. ACTION REQUESTED: APPRECIATE FOLLOWING ACTION REGARDING THIS MESSAGE:

A. CIRCULATE THIS AS INVESTMENT OPPORTUNITY TO APPROPRIATE U.S. COMPANIES OR TO U.S. FIRMS WHO MAY WISH TO MAKE MANAGEMENT PROPOSALS. IN LL CASES, INTERESTED COMPANIES SHOULD NOTE THAT GENERAL TIRE, WHO HAS HAD OUTSTANDINGLY SUCCESSFUL FOREIGN INVESTMENT IN TANZANIA, IS VERY WILLING TO DISCUSS ITS BUSINESS EXPERIENCES HERE. TWO BEST OFFICERS TO TALK WITH ARE: DIRECTOR INTERNATIONAL SALES GUS FRICKE OF VICE PRESIDENT THOMAS FAHEY (216-798-2718).

B. APPROPRIATE SENIOR USDOC OFFICIAL ARRANGE APPOINTMENT WITH MUSHI TO DISCUSS IO AND EXPLAIN ACTIONS BEING TAKEN. GENERAL DISCUSSION OF OUR INVESTMENT PROMOTION PROGRAM WOULD BE USEFUL AS MUSHI QUITE UNFAMILIAR WITH U.S. PROGRAM AND INCENTIVES INVESTORS EXPECT.

C. ON SAME BASIS, APPOINTMENT FOR MUSHI IS REQUESTED WITH

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OPIC OFFICIAL TO HAVE GENERAL DISCUSSION OF OPIC PROGRAM AND OBJECTIVES IN LDCS.

D. FOR AF/E: PLEASE PASS CONTENTS OF MESSAGE TO BRUCE MCKENZIE, PRESIDENT, INTERNATIONAL MANAGEMENT DEVELOPMENT INSTITUTE, NEW YORK (TEL: 212-759-7700). (END UNCLASSIFIED)

9. (BEGIN CONFIDENTIAL) WHILE WE CONSIDER THIS AN UNUSUAL (FOR TANZANIA) AND INTERESTING OPPORTUNITY WORTH SINCERE CONSIDERATION, WE ARE, NEVERTHELESS, TROUBLED THAT IT COMES OUT OF MINISTRY OF AGRICULTURE. THIS MEANS THAT OPENING NEGOTIATIONS WILL BE UNNECESSARILY BURDENED BY MUSHI, A BUMPTIOUS AND CAPRICIOUS BUREAUCRAT WHO IS NOT HIGHLY THOUGHT OF. MUSHI, WHEN OFFERING THIS IO, IS WELL AWARE HE HAS PRESIDENT ON HIS BACK AND MUST SHOW RESULTS. CONSEQUENTLY HE CAPABLE, IN THIS SITUATION, OF MAKING GLIB PROMISES. PEOPLE TALKING WITH HIM WILL NEED TO FOREBEAR HIS WAYS FOR NOW. FORTUNATELY NABURI OF NAFCO IS MORE PRAGMATIC ADMINISTRATOR AND WILL NEGOTIATE SENSIBLY. NEVER-, 5#3LESS THE VISIT TO WASHINGTON BY MUSHI SHOULD BE USED ADVANTAGEOUSLY BY USDOC AND OPIC AS OPPORTUNITY TO ACQUAINT SENIOR TANGOV OFFICIAL WITH OUR OVERSEAS INVESTMENT PROGRAMS AND, IN GENERAL, TRY TO MAKE IT IMPORTANT STEP TO CREATION BETTER AND MORE REALISTIC FOREIGN INVESTMENT CLIMATE IN TANZANIA. TO THAT END WE STRONGLY ADVISE THAT CONCLUDING PARAGRAPH OF MOST RECENT ECONOMIC TRENDS REPORT FOR TANZANIA BE RE-READ (SEE REF D).

10. FYI: SUBJECT IO SURFACED DURING VISIT OF FRANK FEFFER, PRESIDENT, CHEMONICS -- A PHOENIX-BASED DIVISION OF EARLY CALIFORNIA INDUSTRIES (ERLY), LOS ANGELES. FEFFER HAS HAD USEFUL INTRODUCTORY DISCUSSIONS WITH MUSHI AND NAFCO AND DEFINATELY PLANS TO DELVE DEEPER INTO PROPOSAL AS IT FITS, GENERALLY SPEAKING, WITH ERLY BUSINESS HORIZON. UNDERSTAND HE WILL CALL USDOC (HORNER OF MANLEY IN OIM) ON HIS RETURN TO U.S. MIDDLE OF DECEMBER. BELIEVE COMPANY LIKE ERLY HAS JUST THE RIGHT BUSINESS MIX TO LOOK CLOSELY AT THIS PROJECT -- I.E., ERLY HAS BOTH EXPORT AND IMPORT ORIENTATION, IS GAINING EXPERIENCE IN AFRICA, AND APPEARS TO BE STRONG ON MANAGEMENT KNOW-HOW AIMED AT SOLVING LDC AGRICULTURAL PROBLEMS.

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Message Attributes

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TAGS: BTIO, EAID, EAGR, ECON, TZ, US
To: STATE
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Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005